

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-05 SWF-01 AID-05 CEA-01 CIAE-00

COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01

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R 301250Z OCT 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5959

INFO USMISSION EC BRUSSELS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: EC GRAIN SUPPLY-DEMAND OUTLOOK

REF: (A) EC BRUSSELS 8396; (B) FASTO CIRC 412.

1. WE APPRECIATE THE EXCELLENT ANALYSIS OF THE COMMISSIONS GRAIN BALANCES IN REF (A). NOTING THAT THE SUM OF MEMBER STATES COMMERCIAL FEED USE OF WHEAT VARIES CONSIDERABLY FROM THAT OF THE COMMISSION AND CONCERNED THAT EC WHEAT CRISIS COULD WELL DEVELOP LATER IN THE YEAR WE WOULD APPRECIATE LATEST ATTACHE ESTIMATES BY MEMBER COUNTRY TO PROPERLY EVALUATE THE FRG WITHIN THE COMMISSIONS BALANCES AND THE REVIEW REPORTED REF. (B).

2. ACCORDING TO OUR INFORMATION, GERMANY HAS THE ONLY SIGNIFICANT INCREASE IN ANIMAL NUMBERS YET WE FIND THAT WHEAT FEEDING IS ESTIMATED TO BE UP ONLY ABOUT TEN PERCENT. TOTAL FEED USE IS ESTIMATED TO RISE FROM 16.4 MILLION TONS IN 1973/74 TO 17.1 IN 1974/75. THE ADDITIONAL DEMAND FOR 0.7 MILLION TONS WILL PROBABLY BE SUPPLIED AS FOLLOWS (IN THOUSAND METRIC TONS):

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	1974/75	1973/74	INC/DEC	
WHEAT	4,024	3,633	PLUS	39L
CORN	2,265	2,325	MINUS	60
BARLEY	5,047	4,782	PLUS	265
OATS	4,367	4,075	PLUS	292
RYE	1,365	1,580	MINUS	215
SORGHUM	30	36	MINUS	6
TOTALS:	17,098	16,431	PLUS	667

3. WE AND THE TRADE BELIEVE THAT THE EC HAS OVERESTIMATED FEED USE OF WHEAT BECAUSE THE BROILER AND EGG LAYING INDUSTRIES, MAJOR USERS OF CORN, ARE NOT PLANNING TO CUT BACK SIGNIFICANTLY THIS YEAR. THERE WILL BE A SUBSTANTIAL REDUCTION IN CORN FED TO HOGS, AND IN GERMANY THE DAIRY SECTOR IS NOT A SIGNIFICANT CORN USER.

4. DEPENDING ON AVAILABILITY OF CORN RATHER THAN DEMAND, WE THINK THAT CORN WILL CONTINUE TO BE FED DURING THIS YEAR, AND THEREFORE CORN SUPPLIES FROM FRANCE WILL BE EXHAUSTED BY SPRING. CONSEQUENTLY, THE DEMAND FOR U.S. CORN WILL REACH A PEAK AT THAT TIME. EITHER THERE WILL THEN HAVE TO BE DRAMATIC SHIFT IN FEED UTILIZATION AWAY FROM CORN TO WHEAT, OR THERE WILL BE A MOUNTAIN OF WHEAT IN THE EC WHICH WILL HAVE TO BE MOVED INTO THE EXPORT MARKET. THE MAJOR POINT IS THAT NO ACTION IS NOW BEING TAKEN TO SIGNIFICANTLY SHIFT FEEDING PRACTICES AWAY FROM CORN TO WHEAT.

HILLENBRAND.

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